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By virtue of the instant Supplemental Amendment and Response, claims 1-17 are pending. No new matter has been introduced. Reexamination and reconsideration of the application are respectfully requested.

In the Response to Office Communication dated November 29, 2001, the Applicants submitted a proposed new independent claim 1 for the Examiner's consideration vis-à-vis the cited references. The proposed new claim 1 read as follows:

Claim 1:

1. A method for making substitute continuing payments into a trust of a retirement plan, into which contribution payments are normally made on behalf of an employee participating in the plan, during a period of non-payment due to a long-term disability of the employee, comprising:
 - a. including a disability insurance policy as a feature of the plan;
 - b. holding the insurance policy as an asset of the plan's trust;
 - c. paying premiums for the insurance policy with assets of the trust; and
 - d. receiving into the trust disability benefit payments made under the insurance policy,

wherein the disability benefit amount is substantially equal to the amount of contribution payments made to the trust on behalf of said employee prior to the period of disability.

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As is explained further hereinbelow, claim 1, as it appears in the instant Supplemental Amendment and Response, is substantially similar to the claim quoted above, except for minor changes made within the "wherein" clause to further clarify the invention being claimed.

In a telephonic interview held on December 5, 2001, the Examiner opined that the proposed new claim overcame all of the references cited up to that time. However, the Examiner requested that the Applicants provide a more detailed explanation distinguishing the proposed new claim 1 from a set of three documents which were provided by the Applicants in an Information Disclosure Statement dated August 28, 2001. These were: (1) "401 (k) Completion - Making Contributions When They Can't", Union Central Insurance and Investments, April 1998; (2) "Employee Security Benefit Trust", The Union Central Life Insurance Company, July 1997; and (3) "401 (k) Completion Feature - Initial Employer Coverage Information Under The Union Central Employee Security Benefit Trust", The Union Central Life Insurance Company, September 1998 (referred to collectively as the "Union Central references", and respectively as "UC-1", "UC-2", and "UC-3").

As a summary, the present invention relates to a system and method for insuring against loss of retirement benefits and, more specifically, for providing insurance protection against loss of contributions to tax-favored defined contribution plan accounts, as

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well as other types of retirement accounts, in the event of a plan participant's disability. The invention complies with the restrictions imposed by the Internal Revenue Code (IRC) by including disability insurance as a feature of the plan. A disability insurance policy is held as an investment of the plan's trust, insurance premiums are paid from the assets of the plan's trust, and benefits paid during a period of disability are received into the plan's trust. Thus, by structuring the insurance as a "benefit, right, or feature" of the plan (as defined by the IRC), the amount of insurance coverage available to each participant may be substantially equal to the participant's level of contributions to any kind of tax-qualified plan, including 401(k) plans.

More specifically, the invention includes a method and system for insuring contributions to a defined contribution retirement plan against loss due to long term disability in a manner that allows the insurance to match the exact loss, with regard to amount (i.e., the insurance benefit is substantially equal to the pre-disability contribution level), with regard to payment (i.e., the insurance benefit is paid into the plan trust), and with regard to taxation (i.e., the premium is pre-tax and the benefit is tax deferred until withdrawn) by including disability insurance as a feature of the plan subject to the plan's non-discrimination rules and regulations, and holding the disability policy as an asset of the plan's trust, so that trust assets are invested as premiums and beneficiary payments are received as investment returns.

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An important feature of the instant invention is its ability to match the exact amount of the loss, i.e., to provide an insurance benefit that is substantially equal to the pre-disability contribution level. In this regard, it is also important to note that the instant invention is applicable to both "highly-paid", as well as "non-highly paid" executives. Heretofore, no method and system have been devised, whereby both highly-compensated and non-highly-compensated employees are able to have their contributions matched. In short, no single system or methodology has had the ability to comply with the applicable non-discrimination requirements for both types of employees. To this end, the specification of the instant application discusses, at some length, the prior art relating to this issue, including the shortcomings of the prior art in attempting to match pre-disability contributions for all employees. See, e.g., p. 7, line 8 - p. 8, line 23.

The instant invention avoids the shortcomings of the prior art by placing a stand-alone Long Term Disability (LTD) policy into the retirement plan. Thus, a disability insurance policy is purchased with funds of an investment account, i.e., the insurance policy is an investment of the trust assets. As such, benefit payments are considered investment returns, which are not required to be treated differently for highly-compensated, as opposed to non-highly-compensated, employees.

Thus, claim 1, as submitted herein, recites:

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1. A method for making substitute continuing payments into a trust of a retirement plan, into which contribution payments are normally made on behalf of an employee participating in the plan, during a period of non-payment due to a long-term disability of the employee, comprising:
 - a. including a disability insurance policy as a feature of the plan;
 - b. holding the insurance policy as an asset of the plan's trust;
 - c. paying premiums for the insurance policy with assets of the trust; and
 - d. receiving into the trust disability benefit payments made under the insurance policy,

wherein, the disability benefit is substantially equal to the contribution payments made to the trust on behalf of said employee prior to the occurrence of disability.

The Union Central references appear to be interrelated. That is, UC-1 describes a product called the "401(k) Completion feature" that "ensures continued contributions [to a 401(k) plan] even if the employee becomes disabled". UC-1, p. 1, Par. 3. This document discloses that the product is designed to insure contributions to the 401(k) plan in the event of disability, that the eligible group for the insurance is the eligible group for the 401(k) plan, and that the benefit is equal to the last twelve months of tax deferred 401(k) contributions.

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The second document details the Employee Security Benefit (ESB) Trust, which is established by the insurer to hold group insurance contracts, and through which the employer becomes a "Participating Employer" in order to purchase the insurance. No payments under the contracts are made to this trust. The third document appears to constitute the application form through which the employer applies to become a Participating Employer in the trust.

As an initial matter, it is important to note that, although the Union Central references discuss a "trust", this is not the kind of trust that is claimed herein. More specifically, in the instant invention, the only trust utilized is the qualified plan trust that is established by the employer as the plan sponsor, and its sole purpose is to hold assets that will provide retirement benefits to the participants. Thus, the employer chooses a (retirement plan) trustee, to whom the insurance policy is then issued. That is, the retirement plan trustee is the policyholder of the insurance contract and is contractually bound to the insurer, and vice versa. As such, the trust of the instant invention is established between the employer and the trustee (i.e., the insurer is not a party to the trust), and is not part of the general assets of the employer, an insurer, or any other entity, nor is it subject to any creditors other than plan participants. Thus, given this structure for the trust, the insurance policy under the instant invention is held as an asset of

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the trust, the premiums for the insurance are paid from the assets of the trust, and the disability benefit payments made under the insurance are paid to this trust.

In contrast, the Union Central references discuss a "trust" that is outside of the retirement plan. This trust, entitled The Union Central Employee Security Benefit Trust ("ESBT") and set up between the Union Central Life Insurance Company (the "company") and Citizens Trust Company (the "Trustee"), appears to be an insurance filing mechanism that allows Union Central to offer an insurance policy without filing a new contract separately with all the states. Thus, in contrast to the instant invention, the ESBT is not established solely to hold assets that will provide retirement benefits to the retirement plan participants. Indeed, as evidenced by UC-2, the trust described in the Union Central references was established many years prior to the creation of the 401(k) Completion product offered by Union Central (i.e., the former seems to have been established for the first time on November 30, 1982, whereas the latter, as disclosed in UC-1, is dated April 1997), to serve as a vehicle through which Union Central offered many other insurance products.

With regard to the 401(k) Completion product, the ESBT is used only to hold the insurance contracts (see UC-2, first par.), and no payments under the contracts are made to this trust. UC-2, Par. 3(a). Thus, in contrast to the instant invention, the ESBT is

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established between the insurer and the ESBT Trustee, rather than the employer and the retirement plan trustee. The employer then becomes a Participating Employer in this trust. As such, there is no contractual obligation between the retirement plan trustee and the insurer.

In light of the above, it is respectfully submitted that the Union Central references neither disclose nor teach, either individually or in combination, the elements of the invention claimed in the instant application. More specifically, claim 1, as submitted herein, recites a method of making substitute continuing payments into a trust of a retirement plan wherein, *inter alia*: (1) the insurance policy is held as an asset of the plan's trust; (2) the premiums for the insurance are paid with assets of the trust; (3) disability benefit payments are received into the trust; and (4) the disability benefit is substantially equal to the pre-disability contribution payments.

First, there is neither a disclosure nor any teaching in the Union Central references of a system or product in which the insurance policy is held as an asset of the plan's trust. Indeed, as discussed above, the Union Central "trust" is not a retirement plan trust to begin with. As such, element No. (1) of the instant invention, as outlined above, is not disclosed.

Second, there is neither a disclosure nor any teaching in the Union Central references of a system or product in which the

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insurance premiums are paid with the assets of the trust. In fact, the Union Central references reveal that it is the employer who pays the insurance premiums. For example, UC-1, in the paragraph entitled "Benefits That Are Affordable", states that "401(k) Completion offers your employees enhanced financial protection in the event of total disability at an affordable cost to you, the employer". (Emphasis in original and added). Similarly, UC-2 provides that "A Participating Employer shall make premium payments to the Company for the insurance in force on its employees" (see UC-2, Par. 9), and that "The Company has the right to bring an action against a Participating Employer for: (1) nonpayment of premiums" (Id., Par. 8). As such, element No. (2) of the instant invention, as outlined above, is also not disclosed.

Third, the "trust" disclosed in the Union Central references is not a trust that receives benefit payments under the insurance. To this end, UC-2 provides, under the title "SOLE DUTY AND RESPONSIBILITY OF TRUSTEE", that "No payments under the contracts will be made to the Trustee". (Id., Par. 3(a)). As such, element No. (3) of the instant invention, as outlined above, is also not disclosed.

Finally, claim 1, as submitted herein, also provides for disability benefits that are substantially equal to the pre-disability contribution payments, regardless of whether the employee is highly-compensated or non-highly-compensated. As has

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been noted previously, by holding the insurance policy as an investment of the trust assets, the instant invention provides benefit payments that are considered investment returns and, as such, are not required to be treated differently under the IRC for highly-compensated, as opposed to non-highly-compensated, employees.

In contrast, the Union Central references do not disclose or teach a system or product wherein the benefit payments are investment returns. As such, in the Union Central product as disclosed, highly-compensated and non-highly-compensated employees may have to be treated differently in order to avoid paying discriminatory benefit amounts to highly-compensated employees, thus further distinguishing the Union Central product from claim 1 as submitted herein.

Based on the above distinctions, it is respectfully submitted that the invention specified in claim 1, as submitted herein, is markedly different from, and distinguishes over, the product disclosed in the Union Central references and, as such, is believed to be in condition for allowance. Similarly, since claims 2 - 14 depend, either directly or indirectly, from claim 1, it is respectfully submitted that claims 2 - 14 also distinguish over the Union Central references, so that claims 2-14 should also be in condition for allowance.

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In a similar fashion, independent claim 15, as submitted herein, is directed to a system for making substitute continuing payments into a trust of a retirement plan, and includes all of the limitations of claim 1. As was discussed with respect to claim 1 above, these limitations are not disclosed or taught by the Union Central references. Therefore, it is respectfully submitted that claim 15, as well as claims 16-17, which depend either directly or indirectly from claim 15, also distinguish over the Union Central references. As such, it is respectfully submitted that claims 15-17 are also in condition for allowance.

Applicants believe that claims 1 - 17, as submitted herein, are in condition for allowance, and a favorable action is respectfully requested.

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If, for any reason, the Examiner finds the application other than in condition for allowance, the Examiner is requested to call the undersigned attorney at the Los Angeles telephone number (213) 488-7100 to discuss the steps necessary for placing the application in condition for allowance.

Respectfully submitted,

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APPENDIX

IN THE CLAIMS:

Claims 1 - 45 are cancelled.

Claims 1 - 17 are added as new claims.